

12.

HEALTH - REGIONAL HEALTH BOARDS AND NON-DESIGNATED ORGANIZATIONS - COMMENTS ON FINANCIAL SITUATION

BACKGROUND

12.1 In June 1994 *An Act to Establish Regional Health Boards* was passed. In the subsequent months, four Regional Health Boards (RHBs) were formed as specified in the legislation:

- Central Regional Health Board
- Eastern Regional Health Board
- Northern Regional Health Board
- Western Regional Health Board

12.2 During 1996-97, the RHBs assumed responsibility for governance of all but four of the hospitals in the Province. The four remaining hospitals are known as Non-designated Organizations (NDOs) and are governed by their own Boards of Directors. The four NDOs are:

- Cape Breton Healthcare Complex
- Izaak Walton Killam Grace Health Centre for Children, Women & Families
- Nova Scotia Hospital
- Queen Elizabeth II Health Sciences Centre

12.3 In April 1997, the RHBs assumed responsibility for Drug Dependency and Public Health Services which had previously been delivered by the Province.

12.4 The following previous Reports of the Auditor General dealt with issues related to accountability and planning for RHBs:

- 1995 Report - Chapter 11 - Planning for Health Reform and Follow-up to Management Audit (page 119)
- 1996 Report - Chapter 8 - Planning for Health Renewal - Follow-up (page 94)

12.5 The Auditor General Act gives the Auditor General the mandate to audit agencies of government and recipients of financial assistance from the government. An agency of government is defined as an entity where all of the members of the board of directors are appointed by an Act of the Legislature or the Executive Council. All members of Regional Health Boards are currently appointed by the Minister of Health under the provisions of Section 5(3) of the Regional Health Boards Act until such time as Regulations permitting another mode of appointment are enacted. Regulations under the RHB Act also specify that the Governor in Council appoints a member to be the Chair of each of the RHBs. Therefore, all of the RHBs currently fit the definition of an agency

of government under the Auditor General Act. Not all of the members of the Board of Directors of the NDOs are appointed by the Province therefore they may/may not be agencies of government depending on the specific governing legislation.

12.6 In those cases where the financial statements are audited by a private sector public accountant, the Auditor General Act gives the Auditor General the mandate to review findings and recommendations reported to management by their auditors as well as the audited financial statements. The financial statements of all of the RHBs and NDOs, except for the Nova Scotia Hospital, are audited by private sector firms. The Office of the Auditor General performs the audit of the financial statements of the Nova Scotia Hospital.

12.7 The 1998-99 Estimates of the Department of Health reflect a net expenditure of \$785 million for operating grants and contributions to RHBs and NDOs and a further \$24 million for capital grants. This represents 55.6% of the total Estimates for the Department of Health. The first quarterly financial report for the 1998-99 fiscal year, prepared by the Department of Finance and released in September 1998, forecasts that the Department of Health will exceed its total Estimate of \$1.455 billion by \$28.9 million but the overexpenditure is entirely in other areas of the Department and not related to RHBs/NDOs.

12.8 Chapter 15 of this Report is devoted to comments on the financial situation of the Queen Elizabeth II Health Sciences Centre and should be read in conjunction with this chapter.

RESULTS IN BRIEF

12.9 The following are the principal observations resulting from our review.

- The Regional Health Boards and Non-designated Organizations reported total operating deficits of \$38 million on shareable operations (i.e., operations for which the Department of Health provides funding) for the year ended March 31, 1998 and one RHB also reported a non-shareable deficit of \$33 million. The organizations reported accumulated deficits of \$121.8 million as at March 31, 1998. These deficits were financed primarily by borrowing from financial institutions (\$30 million) and advances from the Department of Health (\$85 million).
- The auditors of the financial statements of these entities expressed concerns about the size of the deficits in relation to annual budgets and their impact on the entities' abilities to sustain health programs in the future. We concur with the observations of these auditors.
- Auditors of two RHBs identified total transfers of \$10 million of hospital funds (donations and operating surpluses) to hospital Foundations by predecessor hospital Boards at the time of formation of the RHBs. The auditors expressed concerns about the legal authority of the boards to make these transfers and the need for legal opinions to clarify the authority. The auditors also expressed concern that appropriate agreements between the RHBs and the Foundation boards to define accountability for the control and disposition of the transferred funds had not been prepared. We believe that the source of the funds should be an important consideration for the RHBs and the Department of Health when deciding on appropriate action. The Department of Health is currently reviewing the transfers.

- The Department of Health has initiated a business planning process for RHBs/NDOs and is currently conducting a review of those plans. We urge the Department to continue its Business Plan Review process and meet its target dates for making recommendations to government. There is an urgent need for government and the RHBs/NDOs to deal with the financial problems of these organizations.
- The Department of Health has not recognized any liability for the deficits of RHBs/NDOs in its accounting records. The Department of Finance has identified the issues with respect to whether quasi-government organizations like RHBs/NDOs should be included in the government financial reporting entity in its 1998 publication *Financial Accountability - A Blueprint for Success* and has established a work schedule with target dates for major decisions in the 1998-99 fiscal year. We urge the government to deal with this major issue according to the timetable it has described and we will follow-up progress and provide comments in future Annual Reports.
- As at March 31, 1998 the Department of Health had recorded accounts receivable of approximately \$100 million from RHBs/NDOs. A provision of approximately \$50 million for doubtful recoveries was recorded as an expense by the Department of Health and deducted from receivables in the Public Accounts so that receivables were valued at the estimated collectible amount (i.e., the net accounts receivable related to RHBs/NDOs totalled approximately \$50 million). The provision for doubtful recoveries has not been formally communicated to the RHBs/NDOs so their financial statements still show the entire related amounts recorded as accounts payable to the Department of Health and the impact is included in the RHB/NDO deficits. If the \$50 million previously provided for doubtful accounts of RHBs/NDOs was formally allocated to the individual RHBs/NDOs and the related receivables were written off by the Department of Health, liabilities and recorded deficits of the RHBs/NDOs would be reduced accordingly and there would be no impact on the expenses of the Department of Health to the extent that a provision exists. The Department of Health has indicated that the provision was established for general contingencies that may occur at the Department of Health and that it will be used to provide for problem accounts receivable which may/may not be related to RHBs/NDOs.

SCOPE OF REVIEW

12.10 The objectives of this assignment were to:

- review the audited financial statements and auditors' management letters for the RHBs for the year ended March 31, 1998 to determine their financial position and operating results and any significant, identified weaknesses in financial management and internal controls;
- gain an understanding of any plans of the Department of Health and the RHBs and NDOs for addressing reported deficits and deficiencies in financial management; and
- consider and describe the issues with respect to whether the deficits of the RHBs and NDOs should be reported in the Public Accounts of the Province.

12.11 We reviewed the audited financial statements and management letters issued by the external auditors for the year ended March 31, 1998 for all of the RHBs and NDOs. The financial statements

and management letter of the Cape Breton Healthcare Complex had not been finalized at the date of our review because of unresolved issues between the Complex and the Department of Health but we did review the documents in draft form. We did not perform any additional verification of any of the financial statements and management letters. We had discussions with management of the Department of Health and reviewed documents relating to the Department's business planning process for the RHBs and NDOs.

PRINCIPAL FINDINGS

Financial Position of RHBs and NDOs

12.12 We reviewed the audited financial statements of the RHBs and NDOs for the year ended March 31, 1998. Exhibit 12.1 on page 142 summarizes the financial position and operating results for the year.

12.13 The accumulated deficits in Exhibit 12.1 do not include balances in capital funds, although the operating deficits include amortization of capital revenue and capital assets for some facilities. Both the Queen Elizabeth II Health Sciences Centre and the Cape Breton Healthcare Complex have large differences between the unamortized book value of capital assets acquired to date and the amount received in capital asset funding (Cape Breton - capital asset book value exceeds funding by \$23.5 million, and QEII - capital asset book value exceeds funding by \$45.8 million). These amounts will represent net expenditures in future years when deferred funding and book values are amortized to the Statements of Revenues and Expenditures and the related expense will exceed the funding.

Comments included in Auditors' Management Letters

12.14 We reviewed the management letters prepared by the auditors of the financial statements of each of the RHBs and NDOs. The purpose of the review was to determine whether the auditors reported any significant weaknesses in financial management and internal controls. As noted previously, the management letter for the Cape Breton Healthcare Complex has not been finalized so we reviewed a draft. The following items which were noted in the management letters are significant enough to report.

12.15 *Budgeting and expenditure control* - Budgetary controls are very important when fiscal resources are limited. Three of the management letters noted that improvements are required in the areas of budgeting and/or monitoring of expenditures. A comprehensive budget for the year was not prepared in one organization because each department was given the same budget as the prior year. The auditors noted that this resulted in ineffective management controls as inefficient departments were allocated an amount equal to the prior year's expenditures. Two organizations were cited as not having timely reporting of performance in relation to the budget and formal explanation of any variances.

12.16 *Deficits* - Three of the management letters included comments on organization deficits. The following are extracts from two of those letters:

"The accumulating deficit has reached a point where bank borrowings will be required to fund future deficits. The chartered banks will lend to the Regional Health Board believing the loans are effectively to the Province of Nova Scotia. The Department of Health must address this issue immediately as the accumulating deficit of the Regional Health Board is seen as a deficit of the Province of Nova Scotia. If the Board of Directors are to be held

accountable for financial deficits, they must be provided with sufficient funds to break even or given instructions to cut back on programs...

The Board should take steps to eliminate any further operating deficits. We recommend the Board continue to discuss its concerns with the Department of Health and request increased funding for past deficits and future operations to the level required to operate current programs. Should this additional funding not be available, the Board will be forced to cut programs in order to operate within its allocated resources.” (letter from external auditor to a Regional Health Board dated July 9, 1998)

“The Board must support management in its initiatives to either:

- 1.) Negotiate new funding arrangements with the Department of Health.*
- 2.) Eliminate certain programs or other cost reduction measures.”* (letter from external auditor to the Board of an NDO dated June 26, 1998)

12.17 *Transfers to Foundations by predecessor hospital boards* - Two of the management letters identified findings with respect to transfers of significant amounts of funds to hospital charitable Foundations by predecessor hospital boards. These transfers were made prior to the dismantling of the hospital boards when the Regional Health Boards were formed.

12.18 With respect to one RHB, \$3.7 million was transferred by hospital boards to four hospital Foundations. The financial statements indicate:

“These assets have not been recorded in the accounts of the [Regional Health Board] as the Board of Directors of the [Regional Health Board] do not have custody or control over the funds.”

12.19 The management letter from the RHB’s external auditors to the Board Chair dated June 9, 1998 notes:

“[The funds] primarily arose from donations and operating surpluses...it was unclear whether the predecessor Boards had the authority to transfer the funds. [The auditors] understand that the issue of authority has not been pursued. As well, it is [the auditor’s] understanding that no official policy has been established with the foundations for the return and use of these funds for future projects of the hospital sites...[The auditors] recommend that management of the [Regional Health] Board approach the Foundations to determine the use of the transferred funds...and to set out future capital requirements for each of the facilities.”

12.20 A similar situation exists in the second board. In that case, ten hospital boards transferred \$6.1 million to Foundations.

12.21 As noted above, these amounts are not disclosed in the audited financial statements of the RHBs because the RHBs do not have control of the funds. The amounts are disclosed, however, in notes to the financial statements and are reduced each year by the amount of contributions received by the RHB from the Foundation as funding for designated projects. Similar transfers are not disclosed in the notes to the financial statements of the other two RHBs but it is possible that similar transfers were made but not disclosed. We recommended that the Department of Health undertake the following actions:

- investigate all of the transfers that hospital boards made to Foundations when the RHBs were formed;
- take action to ensure that the RHBs obtain legal authority or recover the funds in any cases where the hospital board did not have the legal authority to make the transfer; and
- ensure that there are appropriate agreements between the Foundations and the RHBs and/or hospitals to define accountability for the control and disposition of the transferred funds which are in the custody of the Foundations.

12.22 Because some of the amounts resulted from donations and other fund-raising in the communities, we believe that the source of the funds should be an important consideration for the RHBs and the Department of Health when deciding on appropriate action.

12.23 The Department of Health has indicated that it is currently conducting a review of the transfers.

12.24 *Disputed amounts* - The management letter of one non-designated organization noted the Department of Health had confirmed outstanding accounts receivable from the organization related to project cost overruns and hospital requested change orders during construction totalling \$3.2 million. The items are being disputed by the non-designated organization, which is taking legal action to recover related amounts from the contractor, and they have not been recorded in the NDO's financial statements. A second non-designated organization has recorded accounts receivable of \$6.75 million from the Department of Health which the Department has not confirmed as owing to the organization. According to the Department of Health, the amount in dispute is about \$5.5 million.

Department of Health's Business Planning Process

12.25 In December 1996, the Department of Health published *Accountability in Nova Scotia's Health System* to outline the accountabilities of each of the partners in the Province's health system (i.e., Minister of Health, Department of Health, RHBs, NDOs, and Community Health Boards). This document identified the Health Services Business Plan as the key planning document to be provided annually by RHBs and NDOs to the Department of Health. The purpose of this Plan was to serve as the basis for the Department of Health and the RHB/NDO to set out and agree upon performance expectations for the RHB/NDO for the year. A list of specific items to be addressed in the Health Services Business Plan was included in the December 1996 publication.

12.26 For the 1997-98 fiscal year, RHBs and NDOs were asked to prepare Health Services Business Plans prior to the commencement of the fiscal year in accordance with *Accountability in Nova Scotia's Health System*. However, for the 1998-99 fiscal year the Department of Health indicated that the Plans need not be submitted prior to the beginning of the fiscal year. Since the Plans are an integral part of the accountability framework for the health system, the Department of Health should request the Plans annually prior to making funding decisions for RHBs/NDOs.

12.27 In his 1998-99 Budget Address to the House of Assembly presented in June 1998, the Minister of Finance announced a business planning process for RHBs:

"...we're asking health boards across the province to present three-year business plans to ensure that the same fiscal responsibility we've shown with the Province's books will be reflected by those institutions that care for Nova Scotians. These business plans will ensure

that any deficits incurred during that time will be recovered by the end of the three-year period.” (page 10)

12.28 Accordingly, a process for RHB/NDO Business Plan Review was implemented in 1998-99. The objectives of the Review were to:

- confirm the expected budget performance of the RHB/NDO for the 1988-99 fiscal year;
- identify any changes in program scope and service utilization projected during the current fiscal year;
- define any unique issues associated with the RHB/NDO; and
- identify potential opportunities for improved efficiency of the RHB/NDO in future years.

12.29 In conjunction with the Review, the RHBs and NDOs were required to submit current business plans to the Department. The Department established a template for review and analysis of the plans and assigned responsibility to certain staff for completion of the analysis. Another component of the process consisted of site visits by a team of Departmental staff (including the Deputy Minister for most of the visits) to each of the RHBs/NDOs in early fall 1998. Following the visits, the Department developed options for meeting health system objectives and these were discussed with members of the Provincial Leadership Committee, which consists of the Deputy Minister of Health and the Chief Executive Officers of each of the RHBs/NDOs. Options are to be brought to the Priorities and Planning Committee of government and Executive Council for approval in December 1998. The Department of Health requested that the RHBs/NDOs not implement significant changes identified in their business plans until after the options are discussed with the Priorities and Planning Committee and Executive Council.

12.30 The Department is in the process of developing performance indicators and benchmarks for RHBs/NDOs and setting guidelines for a business planning process for the 1999-2000 fiscal year. The target dates for preparation and approval of 1999-2000 business plans for RHBs/NDOs are prior to the start of the fiscal year and it is essential for these targets to be met if the process is to be a success.

Role of the Department of Health in Nova Scotia’s Health System

12.31 In December 1996, the Department of Health published *Accountability in Nova Scotia’s Health System* to outline the accountabilities of each of the partners in the Province’s health system. The role of the Department of Health was defined as follows:

“While the Department of Health will retain final accountability for health care, its role will change to one of setting strategic direction and provincial policy, developing standards, and monitoring and evaluating the provincial system. Regional Health Boards and Non-Designated Organizations will have input into these activities.” (Accountability in Nova Scotia’s Health System, page 7)

12.32 In contrast, the role of the Regional Health Boards is defined as:

“Regional Health Boards have been given the legislated responsibility and authority to plan, manage, deliver, monitor and evaluate health services within their regions.” (Accountability in Nova Scotia’s Health System, page 6)

12.33 These definitions confirm that the RHBs/NDOs have responsibility for governance and financial management while the Department of Health's role is focussed on strategic direction, standard-setting and monitoring. The Department of Health is currently reviewing its role and that of the RHBs/NDOs to determine whether changes are required. In October 1998, the government announced the formation of the Task Force on Regionalized Health Care with the following terms of reference.

"The Task Force will put forward recommendations, strategies and options for a regionalized health care delivery system that:

- *values local involvement in decision-making and is responsive and accountable to local communities, including in the governance and management of hospitals;*
- *ensures consistency and coordination between and across communities;*
- *has appropriate, clearly-defined, distinct and mutually supportive roles and responsibilities for CHBs [Community Health Boards], RHBs, NDOs and the DOH;*
- *maximizes the public's access to health care services;*
- *optimizes the use of public dollars spent on health care; and*
- *is built on appropriate health care region boundaries."* (from terms of reference for the Regionalization Review Task Force)

12.34 The Task Force is expected to report in the spring of 1999.

Reporting of RHB/NDO Deficits in the Public Accounts

12.35 There has been a significant amount of recent discussion in the House of Assembly and the media relating to the operating results and financial position of the RHBs and NDOs and the fact that any deficits are not reflected in the Public Accounts of the Province.

12.36 As at March 31, 1998 the Department of Health had recorded accounts receivable of approximately \$100 million from RHBs/NDOs. This amount is mainly related to advances made to RHBs/NDOs and results of final settlement reviews related to prior years. A provision of approximately \$50 million for doubtful recoveries was recorded as an expense by the Department of Health and deducted from receivables in the Public Accounts so that receivables were valued at the estimated collectible amount (i.e. the net accounts receivable related to RHBs/NDOs totalled approximately \$50 million). In his 1998-99 Budget Address to the House of Assembly presented in June 1998, the Minister of Finance stated the following with respect to the financial results for the 1997-98 fiscal year:

"...we made an allowance in the amount of \$49.8 million for potential uncollectible receivables within the health care system. The amounts have come up in a number of program areas, including regional health boards and non-designated organizations such as the QEII hospital. This provision reflects the very real pressures in the health care system."
(page 5)

12.37 The provision for doubtful recoveries has not been formally communicated to the RHBs/NDOs so their financial statements still have the entire related amounts recorded as accounts payable to the Department of Health and the impact is included in the RHB/NDO deficits. If the

provision for doubtful accounts related to RHBs/NDOs was formally allocated to the individual RHBs/NDOs and the related receivables were written off by the Department of Health, liabilities and recorded deficits of the RHBs/NDOs would be reduced accordingly and there would be no impact on the expenses of the Department of Health to the extent that a provision exists. The Department of Health has indicated that the provision was established for general contingencies that may occur at the Department of Health and that it will be used to provide for problem accounts receivable which may/may not be related to RHBs/NDOs (i.e., the provision was calculated on the basis of amounts owing from the RHBs/NDOs but may not be applied on that basis).

12.38 The Department of Health has not recorded any liability with respect to the accumulated deficits of RHBs/NDOs. As noted in the Public Accounts, the financial statements of the Province include the accounts of the Consolidated Fund of the Province and commercially-oriented government enterprises. The Province also prepares a Consolidated Financial Summary which is included in the Public Accounts as supplementary information. It includes, in addition to the Consolidated Fund and commercially-oriented government enterprises, the assets, liabilities, revenues and expenditures of *government organizations*. Note 1 to the Consolidated Financial Summary indicates that

“Government organizations exist primarily to provide services to government and are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislative Assembly.”

12.39 The Consolidated Financial Summary does not include RHBs/NDOs as *government organizations*.

12.40 The Canadian Institute of Chartered Accountants’ Public Sector Accounting and Auditing Board (PSAAB) issues guidance with respect to accounting and auditing in the public sector. Section PS 1300 of the PSAAB Handbook makes the following recommendation related to the scope of the reporting entity in terms of the organizations whose financial affairs and resources should be accounted for in a government’s financial statements:

“The government reporting entity should comprise the organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature...and are owned or controlled by the government.”
(PS 1300.07)

12.41 That recommendation is followed by a discussion of a number of factors which should be considered when making determinations related to accountability, ownership and control. Reaching a conclusion on whether the RHBs/NDOs and similar entities such as school boards should be included as part of the government reporting entity is complex as there are many related factors to consider.

12.42 In conjunction with his 1998 Budget Address to the House of Assembly, the Minister of Finance tabled a document titled *Financial Accountability - A Blueprint for Success*. That document is the Department of Finance’s plan to improve the financial accountability of the government through preparation of financial statements that fully comply with generally accepted accounting principles. One of the issues addressed by *A Blueprint for Success* is the issue of preparation of consolidated financial statements and the scope of the government reporting entity. The Department of Finance describes the scope issue as follows:

“For all of Nova Scotia’s public sector organizations, we must determine if they are owned or controlled by the Province of Nova Scotia. For many, this is an easy determination. For

others, such as organizations that report to an independent (and sometimes elected) board, the determination is more difficult.” (Financial Accountability - A Blueprint for Success, page 21)

“The implications of these decisions have significant impacts in public understanding of the budgetary process. They also have implications for the province’s Balanced Budgets Law. If the government is required to account for agencies at an arm’s length relationship, if the government is required to plan and budget on the basis of their performance, it is imperative that they be required to live up to the same standards and requirements as the government imposes on itself...If we are to achieve our goal of comparability with other jurisdictions, we must consider their presentations so that our financial statements are comparative and thus easier for users to understand...” (Financial Accountability - A Blueprint for Success, page 33)

12.43 The Department of Finance has defined a work schedule for dealing with this issue with target dates for major decisions in the 1998-99 fiscal year. We urge the government to deal with this major issue according to the timetable it has described and we will follow-up progress in future Annual Reports.

CONCLUDING REMARKS

12.44 The financial problems of the Regional Health Boards and Non-designated Organizations have been discussed in the House of Assembly and reported in the media. Our review confirms that the financial difficulties experienced by these entities are serious.

12.45 The government has initiated processes to address the situation. The Department of Health has an RHB/NDO Business Plan Review process in progress. In October 1998, the government announced the formation of the Task Force on Regionalized Health Care which will examine the current approach to delivering health care in Nova Scotia, recognizing that regionalization is relatively new. The group will put forward recommendations, strategies and options for improving the health care delivery system. These processes must be taken seriously and carried to a conclusion in order to find a solution to the financial problems in the health sector.

12.46 We will revisit this topic in future Annual Reports to determine progress in addressing the significant financial issues facing the government and other organizations in the health sector.

Exhibit 12.1

**RHB AND NDO FINANCIAL RESULTS
FOR THE YEAR ENDED MARCH 31, 1998
\$ MILLIONS**

	1997-98 Operating (Deficit) Surplus	As at March 31, 1998		
		Accumulated (Deficit) Surplus (Notes 3 and 5)	Bank Indebtedness (Note 4)	Due to (from) Department of Health
RHBs				
Central	(\$1.1)	(\$4.2)	\$1.1	(\$0.6)
Eastern (Note 2)	(\$1.0)	(\$8.8)	\$1.3	(\$0.6)
Northern	(\$1.1)	(\$8.1)	\$0.0	\$1.5
Western	(\$1.2)	(\$8.1)	\$0.5	(\$2.9)
RHBs sub-total	(\$4.4)	(\$29.2)	\$2.9	(\$2.6)
NDOs				
Cape Breton (Notes 1, 2)	(\$5.8)	(\$48.8)	\$0.0	\$55.2
IWK-Grace	(\$2.1)	(\$3.1)	\$1.5	(\$2.6)
Nova Scotia Hospital	\$0.1	\$0.6	\$0.0	(\$0.1)
QEII	(\$26.2)	(\$41.3)	\$26.1	\$35.6
NDOs sub-total	(\$34.0)	(\$92.6)	\$27.6	\$88.1
Total	(\$38.4)	(\$121.8)	\$30.5	\$85.5

Note 1 - The March 31, 1998 financial statements and management letter of the Cape Breton Healthcare Complex have not been finalized yet due to unresolved issues between the Complex and the Department of Health. These figures are from draft financial statements which do not include an auditor's report.

Note 2 - These organizations also reported non-shareable operating deficits for the year as follows: Eastern Regional Health Board - \$.9 million and Cape Breton Healthcare Complex - \$33.9 million. For the Cape Breton Healthcare Complex, the majority of this amount related to settlements of prior years' grants from the Department of Health.

Note 3 - These amounts include only operating fund deficits and surpluses and do not include any balances in capital funds. Any non-shareable equity balances are also excluded from these figures. Non-shareable equity balances reported in the financial statements are as follows: IWK-Grace - \$4.8 million, Northern Regional Health Board - \$.5 million, Nova Scotia Hospital - \$.2 million.

Note 4 - Regulations under the RHB Act give RHBs the power to borrow funds.

Note 5 - The accumulated deficits for RHBs include the following deficits accumulated by predecessor hospital boards which were transferred to the RHBs when the hospitals were designated:
 Central - approximately \$2 million - \$3 million
 Eastern - approximately \$2 million - \$3 million
 Northern - approximately \$6 million - \$7 million
 Western - approximately \$7 million - \$8 million